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When Losing Employees Boosts Innovation

The benefits of losing talent may often outweigh the costs.

The loss of a top employee is commonly seen as a setback for companies. However, recent research suggests it can be a blessing. Why? An employee lost is a potentially vital network connection gained. Departees help bridge gaps between organisations, giving former employers access to new employers' ideas and knowledge.

When your company loses employees, some former colleagues are likely to stay in touch with them. Even without actively staying in touch, former colleagues might pay more attention to what departed employees are currently doing. Online platforms such as LinkedIn make this easier than ever. By combining these discoveries with in-house techniques and competencies, companies can ramp up their innovation processes. Employee mobility, therefore, brings focus to competitive analysis and the search for novel ideas from outside the firm's boundaries.

Obviously, however, parting with employees cannot always be a good thing on balance. If that were true, there would be no good reason for trying to retain talent. Our recent article in ***Strategic Management Journal*** takes a closer look at how employee mobility affects creative performance. We found that in fields such as luxury or high-end fashion, it all depends on *where* departing employees end up.

The talent carousel

Our research tracks the mobility of top designers among world-famous fashion houses during the period 2000-2010. Why this particular setting? Fashion is an economically sizeable and culturally significant industry which operates as a global creative community, with heavy traffic of ideas and talents between the various houses. Also, the churn of seasonal fashion trends demands a consistently high level of innovation. To stay on top, couture houses need to deliver aesthetically satisfying surprises every season. Therefore, the industry presents an unusually rich opportunity to draw links between designers' career paths and the creative fortunes of their brands.

We assessed creative performance with reference to the French trade magazine *Journal du Textile*, which rates the major houses' creativity on a seasonal basis. The ratings are assigned by industrial buyers assessing the novelty and saleability of a given collection.

Geography

We were primarily interested in the impact of geography. Would losing a designer to an overseas house be more or less creatively beneficial than a domestic defection? We hypothesised that it would be more beneficial, because cultural cross-pollination is more likely to give good ideas to the former employer. Ideas considered overly familiar in one cultural context often raise eyebrows when exported abroad and combined with elements of a foreign aesthetic.

Our hypothesis turned out to be truer than we had anticipated. We had thought that losing a few employees to fashion houses abroad would be beneficial, but losing too many would be disruptive. Surprisingly, the creative boost does not seem to become a curse even when many designers are lost to foreign competitors. There was no discernible downside to the international circulation of talent for firms which lost this talent in the first place. Mobility of designers within national borders, however, had no perceptible effect, either positive or negative, on creativity.

Status

We also separated houses as a function of their status in the fashion industry and tracked employee mobility within vs. across status groups. We were surprised by what we found. Houses that lost designers to same-status or higher-status competitors seemed to suffer creatively, while those whose designers stepped down in status benefited. We had expected the opposite, as it is usually considered desirable to have ties to high-status individuals and companies.

Here the double-sided nature of employee mobility may come into play. A creative who switches companies conveys ideas both away from and back to the former employer. Status determines a company's ability to capitalise on these creative currents. Higher-status firms are more likely to receive credit for combining pre-existing ideas in novel and interesting ways.

An example: After French fashion designer Christophe Lemaire left Lacoste for Hermès in 2011, fashion journalists noted how Lacoste (clearly the lower-status of the two houses) appeared to emulate Hermès in certain aspects of its collections. Because insiders spotted the borrowing straightaway, Lacoste's attempt at social climbing was arguably unsuccessful.

Engage with former colleagues

High levels of creativity and innovation are vital to success in many sectors, not all of them as close-knit as high-end fashion. Organisations in less insular industries may need to introduce systems – such as McKinsey's well-known **alumni network** – to keep ex-employees engaged. That way, they'd be better positioned to re-hire alums once outside experience has made them more attractive on the labour market. In the interim, companies could capitalise on network-building opportunities that might compensate for the loss of those employees.

Further, innovative companies might not need to worry so much about losing employees to foreign competitors. Such losses may turn out to be blessings in disguise, if firms stay abreast of what their overseas alums are doing. But our findings also suggest that organisations should do everything they can to keep their employees from being poached by competitors of higher industry standing.

A global talent pool

Despite oft-noted worries about "brain drain", the number of global expatriates **continues to rise**. Governments are understandably concerned about repatriating income from citizens residing overseas, but our findings show that expats' ideas and unique experiences may be even more valuable. The public sector should help connect local organisations with expats whose contributions may be complementary. Unfortunately, most governments are too detached from their diaspora to accomplish this at present.

Finally, perhaps the very idea of "brain drain" should be questioned. If cross-border talent mobility is good for everyone, as is the case for the fashion brands we studied, then there's no rational basis for discouraging it. Why wouldn't governments want to cultivate a robust talent pool that has been enriched by overseas experience and that may return home someday?

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